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January 11, 2023

Contra Costa Local Agency Formation Commission
 40 Muir Road, 1st Floor
 Martinez, CA 94553

**January 11, 2023
 Agenda Item 9**

Fiscal Year 2022-23 Mid-Year Budget Report

Dear Members of the Commission:

This is the second quarter (mid-year) budget report for FY 2022-23, which compares adopted and actual expenses and revenues for the period July 1, 2022 through December 31, 2022.

The LAFCO operating budget includes several components: salaries/benefits, services/supplies, a contingency/reserve fund, Other Post-Employment Benefits (OPEB) and retirement pre-funding accounts. The budget is based on the “bottom line,” which allows for variation within line-item accounts if the overall balance remains positive. Funds may not be drawn from the contingency/reserve without Commission approval.

The LAFCO budget is funded primarily by the County, cities, and independent special districts, with each group paying one-third of the LAFCO expenses. The County pays one-third, and the city and district shares are prorated based on general revenues reported to the State Controller’s Office. LAFCO also receives revenue through application fees and interest earnings.

DISCUSSION

On June 8, 2022, LAFCO adopted its final FY 2022-23 budget with total appropriations of \$911,613, which includes a \$90,000 contingency/reserve fund. The FY 2022-23 budget does not include prefunding of the Other Post-Employment Benefits (OPEB) or prefunding of the Contra Costa County Employees’ Retirement Association (CCCERA) liability due to overfunding in both accounts.

In November 2022, the Commission approved allocation of \$28,000 from the contingency to fund costs associated with recruitment and hiring a full-time *Clerk/Analyst* due to the upcoming retirement of Sherrie Weis. To date, these funds have not yet been expended.

With 50% of the fiscal year elapsed, the Commission's expenditures are \$259,071 or 28.4% of total appropriations (including contingency). The Commission budgeted \$401,061 in *salaries/benefits* for FY 2022-23; at the end of the second quarter, actual expenses total \$154,016 or 38.4% of the budgeted amount. The Commission budgeted \$420,546 in *services/supplies*; and at the end of the second quarter, actual expenses total \$105,055 or 25%.

The primary sources of revenues are local agency contributions, application fees, and available fund balance. Total revenues received during the first half of FY 2022-23 are \$894,461 (including appropriated fund balance) or approximately 98.1% of estimated revenues. As of this writing, all local agencies have remitted their annual apportionments to LAFCO.

As for application activity, mid-year 2022-23 application activity is slower than 2021-22 activity. During the first half of FY 2021-22, LAFCO received 12 new applications, and during the first half of FY 2022-23 LAFCO received two new applications.

Other revenues include investment earnings through the OPEB trust account, which remains in that account, and fund balance. LAFCO budgets fund balance to offset agency contributions. The FY 2022-23 budget includes \$200,000 in budgeted fund balance. See table below for a summary of mid-year expenditures and revenues.

| Account | FY 2022-23 Final Budget | Mid-Year Actuals |
|-----------------------------|----------------------------|---------------------|
| Salaries & Benefits | \$ 401,067 | \$ 154,016 |
| Services & Supplies | 420,546 | 105,055 |
| Contingency/Reserve | 90,000 | 62,000 |
| OPEB Trust | --- | ---- |
| CCCERA Pre-Fund | --- | ---- |
| Total Appropriations | \$ 911,613 | \$ 259,071 |
| | | |
| Agency Contributions | \$ 686,613 | \$686,613 |
| Application/Other Revenue | 25,000 | \$ 7,948 |
| Interest Earnings | - | - |
| Fund Balance | 200,000 | 200,000 |
| Total Revenues | \$ 911,613 | \$ 894,561 |

No budget adjustments are needed at this time. LAFCO staff will continue to closely monitor the budget, and keep the Commission apprised.

RECOMMENDATION

It is recommended that the Commission receive the FY 2022-23 mid-year budget report.

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER